

**STATE OF ARIZONA
DEPARTMENT OF ENVIRONMENTAL QUALITY
PERFORMANCE BOND GUARANTEEING PERFORMANCE
OF CLOSURE AND/OR POST-CLOSURE CARE
DISCHARGING FACILITY
AQUIFER PROTECTION PERMITS**

Date bond executed: December 9, 2013

Effective date: December 9, 2013

Principal: Florence Copper Inc.
1575 W. Hunt Highway
Florence, AZ 85132

Type of Organization: Corporation

State of incorporation: Nevada

Surety: Lexon Insurance Company
10002 Shelbyville Road, Suite 100
Louisville, KY 40223

Aquifer Protection Permit Identification Number: APP 101704

Facility Name: Florence Copper Project Production Test Facility
Facility Address: 1575 W. Hunt Highway
Florence, AZ 85132

Total Penal Sum of Bond: \$1,066,000.00

Surety's Bond Number: 1099677

KNOW ALL MEN BY THESE PRESENTS, THAT;

We, Florence Copper Inc., hereinafter called "**Principal**", as Principal, and Lexon Insurance Company, a Corporation, organized and existing under the laws of the State of Texas and authorized to transact business in the State of Arizona (hereinafter called "**Surety**"), as Surety are firmly bound to the Arizona Department of Environmental Quality, a State of Arizona Agency ("ADEQ") (hereinafter called "**Obligee**"), as Obligee, in the penal sum of One Million Sixty-Six Thousand and 00/100 Dollars (\$1,066,000.00), good and lawful money of the United States of America, for the payment of which, well and truly to be made, we bind ourselves, our heirs, executors, administrators, successors, *and assigns*, jointly and severally, provided that, where the Sureties are corporations acting as co-sureties, we, the Sureties, bind ourselves in such sum "*jointly and severally*" only for the purpose of allowing a joint action or actions against any or all of us, and for all other purposes each Surety binds itself, jointly and severally with the Principal, for the payment of such sum only as is set forth opposite the name of such Surety, but if no limit of liability is indicated, the limit of liability shall be the full amount of the penal sum.

WHEREAS, said Principal is required under terms and conditions of the Arizona Environmental Quality Act, Arizona Revised Statutes §49-241 and §49-243(N) Article 3 Aquifer Protection Permits, to obtain an Aquifer Protection Permit and to establish financial competence to operate a discharging facility. The discharging facility known as Florence Copper Project Production Test Facility, which Aquifer Protection Permit number APP 101704 is hereby referred to and made a part hereof, as fully and to the same extent as if copied at length herein.

WHEREAS, said Principal is required to provide the ADEQ financial assurance in the amount at least equal to the current closure or post-closure care cost estimate, or corrective action cost estimate, whichever is applicable, as a condition of the permit or interim status;

NOW, THEREFORE, THE CONDITIONS OF THIS OBLIGATION ARE SUCH, that if the Principal shall faithfully, perform closure or post-closure care monitoring according to the plans or strategies submitted under Arizona Administrative Code R18-9-A201(B)(5), whenever required to do so of the discharging facility for which this surety bond guarantees closure or post-closure, or correction action costs, whichever is applicable in accordance with the closure plan or other requirements of the Aquifer Protection Permit as such plan and permit may be amended, pursuant to all applicable laws, statutes, rules and regulations, as such laws, statutes, rules and regulations may be amended from time to time.

And, if the Principal shall faithfully perform post-closure care of the discharging facility for which this bond guarantees post-closure-care, in accordance with the post-closure plan and other requirements of the permit, as such plans and permit may be amended pursuant to all applicable laws, statutes, rules and regulations, as such laws statutes, rules and regulations may be amended.

Or, if the Principal shall provide alternate financial assurance, as specified in Arizona Revised Statutes §49-761(J), or under Arizona Administrative Rules, Title 18, Chapter 9, Article 2 Part A (R18-9-

A203(C), amended by final rule at 11 A.A.R. 4544, effective November 12, 2005 as applicable, and obtain the ADEQ's Director's written approval of such assurance, within 90 days after the date of notice of cancellation is received by both the Principal and the ADEQ Director from the Surety, then this obligation shall be null and void, otherwise it is to remain in full force and effect.

The Surety shall become liable on this bond obligation only when the Principal has failed to fulfill the conditions described below;

Upon notification by the ADEQ Director that the Principal has been found in violation of the closure requirements for the discharging facility, which this bond guarantees performance of closure, the Surety shall either perform closure in accordance with the approved closure plan and other permit requirements or place funds for the total amount of the guaranty sum for the facility directly into a standby trust fund as directed the ADEQ Director.

Upon notification by the ADEQ Director that the Principal has been found in violation of the post-closure care requirements for the discharging facility, which this bond guarantees performance of post-closure care, the Surety shall either perform post-closure care in accordance with the approved post-closure care plan and other permit requirements or place funds for the total amount of the guaranty sum for the facility directly into a standby trust fund as directed the ADEQ Director.

Upon notification by the ADEQ Director that the Principal has failed to provide alternate financial assurance as specified in Arizona Administrative Code R18-9-A203(E) and obtain written approval of such assurance from the ADEQ Director during the 90-days following receipt by both the Principal and the Department of a Notice of Cancellation of the bond. The Surety shall place funds in the amount guaranteed for the facility into a standby trust as directed by the ADEQ Director.

Whenever Principal shall be and is declared by the ADEQ Director to be in default under its Aquifer Protection Permit closure or post-closure care conditions, the ADEQ Director having given written notice of default to the Principal and Principal having failed to commence to cure the default within thirty (30) days after service of such written notice, or if the default is not cured promptly in a continuous and diligent manner within a reasonable time after commencement, the Surety may promptly remedy the default or shall either perform closure or post-closure care in accordance with the approved closure or post-closure care plan and other permit requirements or place funds for the total amount of the guaranteed sum for the facility directly into a standby trust fund as directed by the ADEQ Director.

All written notices to be given under the Performance Bond Agreement shall be given by certified U.S. mail, return receipt requested, to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other parties in writing from time to time.

Obligee: Arizona Department of Environmental Quality
Program Financial Services – Water Programs
1110 West Washington Street
Phoenix, Arizona 85007

Principal: Florence Copper Inc.
1575 W. Hunt Highway
Florence, AZ 85132

Corporate Surety: Lexon Insurance Company
10002 Shelbyville Road, Suite 100
Louisville, KY 40223

The Surety hereby waives notification of amendments to closure plans, permits, applicable laws, statutes, rules, and regulations and agrees that no such amendment shall in any way alleviate its obligation on this bond.

The liability of the Surety shall not be discharged by any payment or succession of payments hereunder, unless and until such payment or payments shall amount in the aggregate to the penal sum of the bond, which is at least equal to the current closure, post-closure care or corrective cost estimate, whichever is applicable, but in no event shall the obligation of the Surety hereunder exceed the amount of said penal sum.

The Surety may cancel the bond by sending notice of cancellation by certified mail to the Principal and to the ADEQ Director provided, however, that cancellation shall not occur during the 90 days beginning on the date of receipt of the notice of cancellation by both the Principal and the ADEQ Director, as evidenced by the return receipts.

The Principal may terminate this bond by sending written notice to the Surety provided, however, that no such notice shall become effective until the Surety receives written authorization for termination of the bond by the ADEQ Director.

This Surety bond is governed by and construed in accordance with the laws of the State of Arizona.

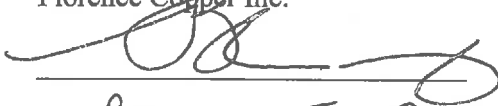
In Witness Whereof, the Principal and Surety have executed this Performance Bond and have affixed their seals on the date set forth above.

The persons whose signature appears below hereby certify that they are authorized to execute this surety bond on behalf of the Principal and Surety.

PRINCIPAL

Florence Copper Inc.

Signature(s)



Names(s)

BRIAN F. CAUSEY

Titles

CFO

CORPORATE SURETY

Lexon Insurance Company
10002 Shelbyville Road, Suite 100
Louisville, KY 40223

Texas

Liability Limit: \$1,066,000.00

Signature



Name and Title

Jackie C. Koestel, Attorney-in-Fact

[For Every co-surety, provide signature(s), and other information in the same manner as for Surety above.]

Bond Premium: \$21,320.00

Liability Limit: N/A

Signature N/A

Names and Title N/A

Please attach to this Bond a certified copy of the Surety's power of attorney authorizing execution of this Bond by Surety's attorney-in-fact.

POWER OF ATTORNEY

LX- 078338

Lexon Insurance Company

KNOW ALL MEN BY THESE PRESENTS, that **LEXON INSURANCE COMPANY**, a Texas Corporation, with its principal office in Louisville, Kentucky, does hereby constitute and appoint:

Brook T. Smith, Raymond M. Hundley, Jason D. Cromwell, James H. Martin, Barbara Duncan,*****

Sandra L. Fusinetti, Mark A. Guidry, Jill Kemp, Jackie C. Koestel, Lynnette Long, Amy Meredith, Deborah Neichter, Sheryon Quinn, Dawson West, Bonnie J. Wortham

its true and lawful Attorney(s)-In-Fact to make, execute, seal and deliver for, and on its behalf as surety, any and all bonds, undertakings or other writings obligatory in nature of a bond.

This authority is made under and by the authority of a resolution which was passed by the Board of Directors of **LEXON INSURANCE COMPANY** on the 1st day of July, 2003 as follows:

Resolved, that the President of the Company is hereby authorized to appoint and empower any representative of the Company or other person or persons as Attorney-In-Fact to execute on behalf of the Company any bonds, undertakings, policies, contracts of indemnity or other writings obligatory in nature of a bond not to exceed \$4,000,000.00 Four Million***** dollars, which the Company might execute through its duly elected officers, and affix the seal of the Company thereto. Any said execution of such documents by an Attorney-In-Fact shall be as binding upon the Company as if they had been duly executed and acknowledged by the regularly elected officers of the Company. Any Attorney-In-Fact, so appointed, may be removed for good cause and the authority so granted may be revoked as specified in the Power of Attorney.

Resolved, that the signature of the President and the seal of the Company may be affixed by facsimile on any power of attorney granted, and the signature of the Assistant Secretary, and the seal of the Company may be affixed by facsimile to any certificate of any such power and any such power or certificate bearing such facsimile signature and seal shall be valid and binding on the Company. Any such power so executed and sealed and certificate so executed and sealed shall, with respect to any bond of undertaking to which it is attached, continue to be valid and binding on the Company.

IN WITNESS THEREOF, **LEXON INSURANCE COMPANY** has caused this instrument to be signed by its President, and its Corporate Seal to be affixed this 21st day of September, 2009.



LEXON INSURANCE COMPANY

BY

David E. Campbell
President

ACKNOWLEDGEMENT

On this 21st day of September, 2009, before me, personally came David E. Campbell to me known, who be duly sworn, did depose and say that he is the President of **LEXON INSURANCE COMPANY**, the corporation described in and which executed the above instrument; that he executed said instrument on behalf of the corporation by authority of his office under the By-laws of said corporation.



AMY L. TAYLOR
Notary Public- State of Tennessee
Davidson County
My Commission Expires 01-09-16

BY

Amy L. Taylor
Notary Public

CERTIFICATE

I, the undersigned, Assistant Secretary of **LEXON INSURANCE COMPANY**, A Texas Insurance Company, DO HEREBY CERTIFY that the original Power of Attorney of which the forgoing is a true and correct copy, is in full force and effect and has not been revoked and the resolutions as set forth are now in force.

Signed and Seal at Mount Juliet, Tennessee this 9th Day of December, 2013.



BY

Andrew Smith
Assistant Secretary

"WARNING: Any person who knowingly and with intent to defraud any insurance company or other person, files and application for insurance of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties."